

Exhibit No.:
Issue: Property Tax
Witness: Lisa M. Ferguson
Sponsoring Party: MoPSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: GR-2014-0152
Date Testimony Prepared: July 30, 2014

MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW DIVISION

UTILITY SERVICES - AUDITING

REBUTTAL TESTIMONY

OF

LISA M. FERGUSON

**LIBERTY UTILITIES (MIDSTATES NATURAL GAS) CORP.
d/b/a LIBERTY UTILITIES'**

CASE NO GR-2014-0152

*Jefferson City, Missouri
July 2014*

PSC Exhibit No. ~~80~~ 24
Date 9/8/14 Reporter SJP
File No. _____

1 **REBUTTAL TESTIMONY**

2 **OF**

3 **LISA M. FERGUSON**

4 **LIBERTY UTILITIES (MIDSTATES NATURAL GAS) CORP.**
5 **d/b/a LIBERTY UTILITIES'**

6 **CASE NO. GR-2014-0152**

7 Q. Please state your name and business address.

8 A. Lisa M. Ferguson, 111 N. 7th Street, Suite 105, St. Louis, MO 63101.

9 Q. By whom are you employed and in what capacity?

10 A. I am employed by the Missouri Public Service Commission ("Commission") as a
11 Utility Regulatory Auditor IV in the Auditing Unit of the Utility Services Department,
12 Regulatory Review Division.

13 Q. Are you the same Lisa M. Ferguson who contributed to the Staff's Revenue
14 Requirement Cost of Service Report filed on June 6, 2014?

15 A. Yes.

16 Q. What is the purpose of your rebuttal testimony in this proceeding?

17 A. My rebuttal testimony will address the Company's position on property tax
18 expense and why that position is not correct for proper calculation of property taxes for
19 ratemaking purposes.

20 **PROPERTY TAX**

21 Q. What is Company's position on property tax expense?

1 A. The Company has calculated property tax expense based upon the balance of
2 plant in service as of January 1, 2013, and added to that amount an estimation of property taxes
3 associated with the new office building located in Jackson, MO.

4 Q. What is Staff's position on property tax expense?

5 A. Staff believes the level of property tax expense should be that of the 2013
6 incurred expense without inclusion of the estimated property tax amount for the new office
7 building in Jackson, MO.

8 Q. In general, what is the timing experienced between when a utility's property taxes
9 are assessed and when they are paid?

10 A. In January of each year, a utility must provide to the appropriate taxing authorities
11 a declaration of the total dollar amount of plant in service as of December 31 of the preceding
12 year. The taxing authorities will then determine a tax rate later in the current year that will be
13 applied to the total dollar amount of plant in service provided in the declaration from January of
14 that year. The amount of property tax the utility will be required to pay for that given year is the
15 calculation of the tax rate developed and applied to the declared plant in service balance. Any
16 plant that comes into service after the cut-off point for the declaration (i.e., after December 31st
17 of the previous year) will not be taxed during the current year but rather will be declared the
18 following year and taxed based on the rate developed that year. In essence, in regard to plant
19 in service, the utility is paying property tax in the current year based only on the prior years'
20 plant balance.

21 Q. Why does Staff believe that Company's position of including in rates the property
22 taxes on the new building is improper?

23 A. Staff believes it is improper to include a level of property tax expense for the new
24 office building for two main reasons. First, construction was not complete and the building was

Rebuttal Testimony of
Lisa M. Ferguson

1 not included in rate base until April 1, 2014. The Company has been able to capitalize any
2 property tax expense related to its balance of construction work in process (CWIP) at January 1,
3 2014. At that date, the costs of the office building were still included in the CWIP account and
4 not in plant-in-service. Even though the building is in rate base as of March 31, 2014, it will not
5 be included in Liberty's assessment for tax purposes until January 2015. This means that no
6 property tax expense associated with the new office building will actually be paid out until
7 December 2015. Further, the actual amount of property taxes due to be paid associated with the
8 general office building will not be known and measureable until the last months of 2015.
9 Second, if Staff were to include a level of property tax expense in this case for the new building
10 as Company suggests, Staff would not only be violating the known and measureable standard but
11 would also be making an out of period adjustment to the current cost of service to include a level
12 of expense that has not yet been incurred.

13 Q. Does this conclude your rebuttal testimony?

14 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Liberty Utilities (Midstates)
Natural Gas) Corp. d/b/a Liberty Utilities')
Tariff Revisions Designed To Implement a)
General Rate Increase for Natural Gas Service)
in the Missouri Service Areas of the Company)

Case No. GR-2014-0152

AFFIDAVIT OF LISA M. FERGUSON

STATE OF MISSOURI)
)
COUNTY OF ST LOUIS) ss.

Lisa M. Ferguson, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, consisting of 3 pages to be presented in the above case; that the answers in the foregoing Rebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.


Lisa M. Ferguson

Subscribed and sworn to before me this 29th day of July, 2014.




Notary Public